1985/86 L0280-1
A

ARIZONA STATE UNIVERSITY ■ COLLEGE OF BUSINESS
CENTER FOR BUSINESS RESEARCH

Quarterly Economic Forecast Update

Moderate Growth Likely Into 1987

Except for a brief period earlier this year when the outlook brightened, the basic economic forecast for moderate but erratic growth has not changed since late 1984. Although signs of improvement, which were absent during 1985, appeared early in 1986 and have persisted since then, economic growth has not yet accelerated. Therefore, many of the comments made in conjunction with the Center's 1985 forecasts remain appropriate. Two of the most relevant follow:

- "The recent inconsistency of economic growth coincides with a series of mixed signals from various economic indicators. It is important not to place too much significance on any single indicator, particularly on a monthly basis. Even the growth in the Gross National Product (GNP) has to be viewed with caution: the fluctuation of growth (since) 1984 is relatively mild compared to the erratic growth of earlier mature expansions; the growth in one quarter should not be interpreted as an indicator of the growth in future quarters." (April 1985 *Arizona Business*, p.4)
- "The absence of signs that economic growth will either improve or deteriorate into a recession . . . does not imply that the GNP of any given quarter will not decline, nor that it will (not) expand by more than 3 percent. Sharp swings in components of the GNP can occur as long as the economy's severe imbalances – such as the budget

See "Forecast," page 2

Second Quarter Construction Report

Activity Improves; Its Source Shifts

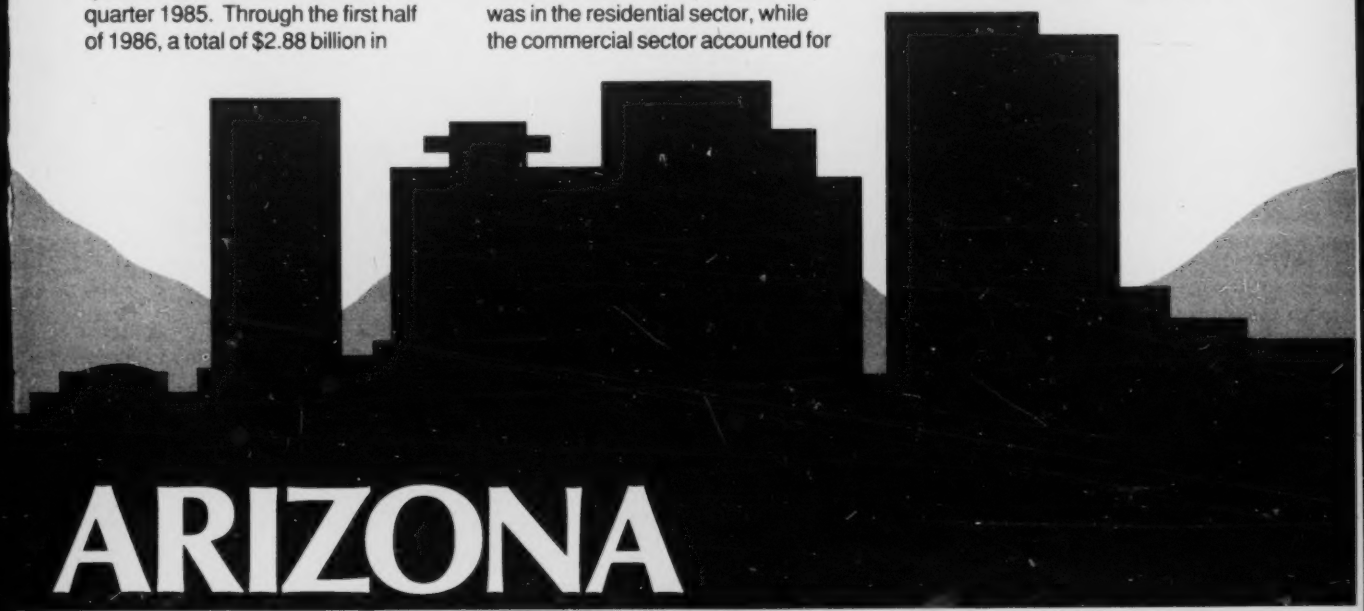
Led by the residential sector, the Arizona construction industry continued to improve during the second quarter. With 30,229 recorded permits, valued at $1.47 billion, construction activity was similar to the $1.41 billion recorded in the first quarter and $1.49 billion of second quarter 1985. Through the first half of 1986, a total of $2.88 billion in new construction was approved, comparable to the $2.87 billion for the first two quarters of 1985.

While the dollar values are comparable, the source of activity has changed during the last year. In the first half of 1985, 43 percent of the recorded dollar value ($1.22 billion) was in the residential sector, while the commercial sector accounted for 38 percent ($1.09 billion). For the same period in 1986, the residential sector represented 46 percent

See "Construction," page 6

In This Issue

9 2nd Qtr. Home Affordability
10 Home Prices: Major Cities
11 Home Prices: Phx/Tucson
12 2nd Qtr. Valley Home Sales
13 New AZ Coincident Index
14 July/August Purchasing
15 AZ Leading Index, June/July
16 AZ Economic Indicators



ARIZONA BUSINESS

VOLUME 33, NUMBER 8
SEPTEMBER/OCTOBER 1986

"Forecast," from page 1

and trade deficits – persist. Thus, an apparent improvement or deterioration in the economy, as measured by GNP, should be discounted unless sufficient corroborating evidence is provided." (October 1985 *Arizona Business*, p.6)

Earlier this year, such evidence appeared to be available. Industrial production had accelerated at a time when leading indicators were rising rapidly; and inflation, interest rates, and the dollar all were falling. The economic acceleration proved to be brief, but most of these indicators remain positive. Thus, two primary questions still have not been answered: Is the expected improvement yet to occur – simply with a longer lag than predicted? If so, will the gains be as great as forecast?

CURRENT ECONOMIC CYCLE

As explained in the citations above, the pessimism and hand-wringing emanating from some parties, primarily in response to the small second quarter GNP gain, are unjustified. Economic conditions remain reasonably strong, especially considering the age of the economic cycle. The revised 2.7 percent GNP gain during 1985 and the average 2.8 percent year-over-year advance during the first half of 1986 are not much below the long-term average.

In most prior cycles, the economy already would be in recession. Instead, it is now completing its fourth year of expansion. Overall, a long period of moderate growth probably is preferable to the typical boom-bust cycle.

The negative aspect of the current economic cycle is that performance has been temporally erratic and sectorally uneven. While many industries, such as housing and services, remain strong, other industries have experienced mild recessionary conditions. The high unemployment rate also is undesirable, but its origin is more structural than cyclical. A record proportion of the working-age population is employed.

In several ways, the current cycle is unusual, including the fact that forecasts issued two years earlier may be cited. The more-than-two-year length of the "growth recession" – a period of subpar, but still positive, growth – is unmatched. Most cycles include such a period of slow growth, but usually it is briefer, with growth even slower than that recently experienced. A growth recession, often followed by a recession, sometimes is succeeded by another stage of fast growth.

While the expansion has lasted nearly one year longer than average, the cyclical increase in the GNP has been less than in several prior expansions (see Figure I). Coupled with the declines experienced during two recessions between 1980 and 1982, expansion of the economy remains below its long-term trend.

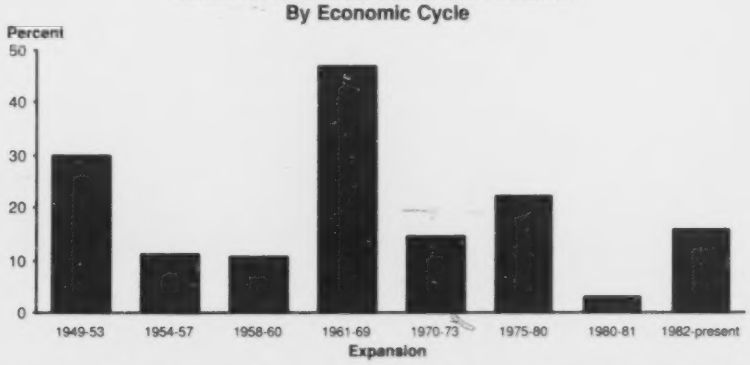
1986-87 NATIONAL FORECAST

Several factors have had, and will continue to have, a strong impact on economic performance. Oil prices have dropped sharply, helping to lower inflation and interest rates. Unfortunately, the detrimental impact on the domestic oil industry was greater than anticipated. Oil prices probably will fall no further and may rise modestly if OPEC holds to production constraints.

Consumer confidence and spending remain strong. While consumer debt continues to be a concern, a collapse in consumer spending is unlikely.

Depending on one's viewpoint, monetary policy has been either accommodative (four reductions in the discount rate during 1986) or tight

FIGURE I
GROWTH IN GROSS NATIONAL PRODUCT
By Economic Cycle



Source: Center for Business Research, College of Business, Arizona State University; from U.S. Department of Commerce data.

TABLE 1
1985-87 ECONOMIC FORECAST: UNITED STATES
(Annual Average Percent)

	Actual	Forecast Scenarios					
		Control		Optimistic		Pessimistic	
	1985	*1986*	*1987*	*1986*	*1987*	*1986*	*1987*
Real Gross National Product	2.7	2.7	3.0	3.0	3.8	2.6	2.0
Industrial Production	2.2	1.0	3.0	1.0	5.0	0.5	1.5
Housing Starts*	1.7	1.9	1.8	1.9	1.9	1.9	1.7
Unemployment Rate	7.1	7.1	6.9	7.0	6.5	7.1	7.1
Consumer Price Index	3.6	2.0	3.2	1.7	2.5	2.0	3.5
Three-Month Treasury Bill Rate	7.5	6.1	6.1	5.9	6.0	6.2	7.0

*Number in Millions

Source: Center for Business Research and Economic Outlook Center, College of Business, Arizona State University

(real interest rates held steady or rose as inflation dropped sharply). Except in interest-rate-sensitive sectors such as housing, lower rates have had little impact.

Fiscal policy has not changed. No action has been taken to reduce the deficit, which has swelled because slow economic growth has produced lower tax revenues than predicted.

Indecision concerning tax revision, which affects various investment decisions, nearly has been resolved. The reaction to the package is hardly clear at this date (August 27), however. Predictions of the effect on the economy range from a slight, temporary dip in growth to a recession.

The dollar continues to fall against major currencies until it is now below the point that precipitated trade problems. However, since it has not declined against the currencies of Canada or many developing countries, the timing and magnitude of the impact on trade are far from certain.

Still at record levels, the trade deficit may be the single greatest problem facing the economy. While many sectors remain healthy, foreign competition continues to plague the production industries. The shift away from manufacturing, mining and agriculture has kept the economy growing at a near-average pace despite recessions in these industries, but faster growth and a reduction in unemployment cannot occur without their recovery. Widely varying opinions persist concerning the magnitude and timing of such a rally.

Control Forecast

The control scenario assumes a slight acceleration in economic activity but no significant change from the conditions of the last two years. This net effect is a result of conflicting developments.

On the positive side, the trade situation is likely to begin improving by 1987, which will boost industrial production (see Table 1). In addition, the domestic oil industry should stabilize or improve as oil prices firm or rise, removing one negative factor that impacted the economy during much of 1986.

The major negative stimulus, at least through 1987, will be the new tax package. Non-residential fixed investment is likely to slow even more than it would have otherwise, and other economic activity also may slow temporarily until the tax plan is fully implemented. In addition, the federal budget deficit remains a drag on the economy by holding interest rates high.

Other conditions probably will not diverge much from recent patterns. Inventories are not likely to be either substantially built or depleted. Consumer spending and home construction may slow, but not significantly. Monetary policy should remain steady.

Optimistic Scenario

The key to a much stronger economy in 1987 seems to be a further decline in oil prices, which would

TABLE 2
1986, 1987 ECONOMIC FORECASTS: ARIZONA

		Forecast Scenarios					
	Actual	Control		Optimistic		Pessimistic	
Gross State Product	*1985*	*1986*	*1987*	*1986*	*1987*	*1986*	*1987*
Millions of 1982 Dollars	43,825[1]	46,675	49,475	46,900	50,175	46,225	48,300
Percent Change	8.2	6.5	6.0	7.0	7.0	5.5	4.5
Personal Income							
Millions of Current Dollars	40,000[2]	43,125	46,450	43,475	47,250	42,600	44,950
Percent Change	10.8	7.8	7.7	8.7	8.7	6.5	5.5
Retail Sales							
Millions of Current Dollars	16,169	17,325	18,575	17,475	18,950	17,225	18,175
Percent Change	9.7	7.1	7.2	8.1	8.4	6.5	5.5
Unemployment Rate							
Percent	6.5	6.7	6.7	6.5	6.0	6.8	7.5
Wage and Salary Employment							
Number in Thousands	1,278	1,348	1,414	1,355	1,436	1,342	1,389
Percent Change	8.2	5.5	4.9	6.0	6.0	5.0	3.5
Population							
Number in Thousands	3,234[3]	3,380	3,525	3,380	3,535	3,380	3,510
Percent Change	4.5	4.5	4.3	4.5	4.6	4.5	3.8
New Single Family Housing Units Permitted							
Number	33,271	34,300	32,825	35,000	35,000	33,150	26,850
Percent Change	7.8	3.1	-4.3	5.2	0.0	-0.4	-19.0
New Multifamily Housing Units Permitted[4]							
Number	37,312	26,750	16,900	28,750	25,000	24,300	14,300
Percent Change	-22.0	-28.3	-36.8	-23.0	-13.0	-34.9	-41.2
Value of Building Permits							
Millions of Current Dollars	5,449	5,125	4,925	5,750	5,750	4,750	3,775
Percent Change	3.5	-5.9	-3.9	5.5	0.0	-12.8	-20.5

[1]Projected; preliminary estimate: $43,936
[2]Projected; preliminary estimate: $39,509
[3]Revised estimate
[4]Apartment complexes of three or more units

Source: Center for Business Research, College of Business, Arizona State University

cause additional downward pressure on inflation, interest rates and the dollar. Most sectors of the economy would benefit, particularly industrial production. In contrast to the initial shock wave that collapsing oil prices sent through the domestic oil industry, this scenario probably would not cause the industry to decline much further.

Pessimistic Scenario

Should the economy continue not to respond to lower inflation and interest rates and to the declining dollar, deterioration in general conditions could be prompted during 1987 by tax reform and flagging confidence that help will ever reach the production industries. The only result probably would be slower growth, as shown in Table 1; however, the more serious consequence – a mild, brief recession – is possible during 1987.

None of the above conditions is that of a classic recession. A more typical downturn could occur from a combination of rising oil prices and a surging money supply that would cause monetary policy to tighten. Rising inflation and interest rates could precipitate a slump, particularly if the government simultaneously cuts spending in an attempt to meet deficit reduction targets. Such a recession is unlikely prior to 1988.

1986-87 ARIZONA FORECAST

Each factor that is affecting national economic performance also is influencing local conditions. Arizona's economy felt the effects of the national growth recession, but the deceleration was gradual and never reached the magnitude that much of the nation experienced. Since the Arizona economy remained relatively strong, a noticeable rebound is unlikely except in certain sectors, such as manufacturing, in which growth nearly ceased.

Instead of steady growth, however, much of the data in Tables 2 and 3 suggest just the opposite: slowing economic activity in 1986 and 1987.

Several factors explain this seeming contradiction:

- Some weakness did not appear until late 1985 and lasted into early 1986. For example, manufacturing employment fell between October 1985 and February 1986.
- Because of the arithmetic of calculating an annual average, growth in 1985 was not as strong as indicated. Employment, for example, rose 8.2 percent on an annual average basis but only 6.5 percent between December 1984 and December 1985.
- Some 1985 growth was still too fast to be sustained, thus the inevitable moderation is reflected in 1986 and 1987. This is particularly true of multifamily housing.

Employment and Population

Record population gains continue in Arizona, and the extra-large net migration that is responsible probably results from troubles in competing Sunbelt states, such as Texas. This inflow of people accounts for the comparatively strong Arizona econ-

TABLE 3
1986, 1987 ECONOMIC FORECASTS: MARICOPA COUNTY

	Actual	Forecast Scenarios					
		Control		Optimistic		Pessimistic	
	1985	*1986*	*1987*	*1986*	*1987*	*1986*	*1987*
Consumer Price Index							
Percent Change	5.0	1.5	4.0	1.3	3.0	2.0	5.0
Retail Sales							
Millions of Current Dollars	10,830	11,550	12,375	11,675	12,675	11,525	12,225
Percent Change	11.2	6.6	7.1	7.8	8.6	6.4	6.1
Unemployment Rate							
Percent	5.1	5.3	5.3	5.1	4.7	5.6	6.2
Wage and Salary Employment							
Number in Thousands	840	888	932	892	947	884	915
Percent Change	9.1	5.7	5.0	6.2	6.2	5.2	3.5
Population							
Number in Thousands	1,814[1]	1,902	1,990	1,902	1,995	1,902	1,980
Percent Change	4.9	4.9	4.6	4.9	4.9	4.9	4.1
New Single Family Housing Units Permitted							
Number	23,143	24,000	22,000	24,700	24,700	22,550	18,000
Percent Change	11.4	3.7	-8.3	6.7	0.0	-2.6	-20.2
New Multifamily Housing Units Permitted[2]							
Number	27,271	19,800	12,000	21,000	18,000	17,500	10,000
Percent Change	-25.9	-27.4	-39.4	-23.0	-14.3	-35.8	-42.9
Value of Building Permits							
Millions of Current Dollars	4,013	3,750	3,450	4,200	4,200	3,450	2,600
Percent Change	5.3	-6.6	-8.0	4.7	0.0	-14.0	-24.6

[1]Revised estimate
[2]Apartment complexes of three or more units

Source: Center for Business Research, College of Business, Arizona State University

omy in 1985-86. Net migration is not expected to slacken during 1986-87.

After a tremendous surge of new jobs in 1983-84, the historical relationship between job creation and population gain has returned: approximately one job for every two new residents. Since the unemployment rate has fluctuated between 6.3 and 7.2 percent since early 1985, this relationship appears to be stable. The unemployment rate, therefore, is likely to continue fluctuating but is not expected to rise or fall substantially through 1987.

Employment gains gradually have decelerated since early 1985. Slightly further moderation is likely through 1986-87. While growth in all industries has slowed, which always occurs as an economic expansion ages, certain industries have experienced, or will experience, the deceleration more than others.

Construction employment has flattened on a seasonally adjusted basis after growing rapidly, especially during 1984. It is likely to begin declining slightly in 1987 as commercial construction falls further. Manufacturing employment in June was at the same level as in June 1985, a product of the weak semiconductor market and a strong dollar. Gains in manufacturing employment resumed in July 1986, however.

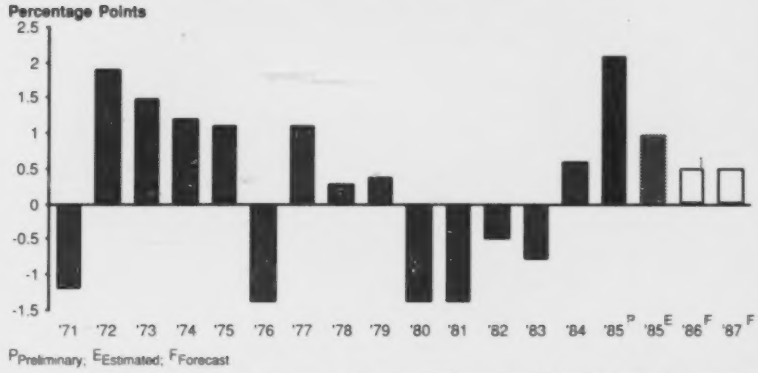
Employment growth remains strongest in the finance, insurance and real estate sector. Solid advances continue to be posted in services, but trade employment has been relatively weak during 1986.

GSP and Personal Income

Because of the vigorous employment advances during 1985, personal income estimates are likely to be revised up, pushing the nominal growth rate from a preliminary 9.5 percent to nearly 11 percent. As Figure II illustrates, the 1985 employment gain exceeded the preliminary increase in inflation-adjusted personal income by the greatest amount on record, far more than any amount during the last 10 years.

The personal income growth rate gradually has slipped from its early 1984 peak and probably will stabilize at a slightly lower level than the latest year-over-year estimate of 8.5 percent. Lower inflation is part of the reason for the large drop in the growth rate between 1985 and 1986.

FIGURE II
DIFFERENCE IN ARIZONA GROWTH RATES
EMPLOYMENT MINUS REAL PERSONAL INCOME



PPreliminary, EEstimated, FForecast

Source: Center for Business Research, College of Business, Arizona State University

The Gross State Product is heavily dependent on personal income; thus, 1985 estimates of GSP are also likely to be further revised. After three successive years of rapid growth, GSP expansion during 1986-87 should be closer to its long-term average of 5.7 percent.

Inflation and Retail Sales

The inflation rate has fallen sharply in the Phoenix metropolitan area, but the improvement is expected to be temporary as oil prices firm and as a weaker dollar allows prices of goods to again rise. Retail sales are expected to post a smaller gain in 1986 than anticipated, but the lower numbers simply result from lower inflation.

Real Estate

During the recovery from the last recession, commercial construction, particularly of office buildings and apartments, led the way. In 1985, these sectors began to weaken, while residential construction strengthened. This pattern, a complete reversal from prior economic cycles, is likely to persist during 1986-87.

Residential construction currently is experiencing its fourth consecutive solid year; an unheard-of fifth-successive good year seems likely during 1987. While high interest rates prevented a boom during 1983-84, falling rates now are prolonging a strong market.

In contrast, multifamily construction soared far past prior records during 1983-84. Currently, this sector is on a downhill course, though it has not dropped as much as expected. After accounting for more than one-half of all new housing units between 1983 and 1985, apartments will slide to the traditional one-third of total housing units by early 1987. High vacancy rates, demographic changes, and new tax laws will continue to limit this sector.

For the same reasons, other commercial sectors also should decline throughout 1986-87. The result likely will be a lower dollar value of building permits in both 1986 and 1987.

Alternative Scenarios

Should the national economy improve as suggested in the optimistic scenario, the state's economy is not likely to feel the effect as much, since its growth has been unusually strong vis-a-vis the national economy. The manufacturing industry in particular probably would benefit. Overall growth may not accelerate much, however, as improved conditions elsewhere may reduce the level of net in-migration to Arizona.

If conditions were to worsen nationally, but not to the extent of a classic recession, Arizona's growth probably would slow but not so much as that of the national economy since migration should persist. However, a more severe recession could sharply brake Arizona's growth machine; this is unlikely prior to 1988.

– Tom R. Rex
Research Manager

"Construction," from page 1

($1.33 billion) of the total dollar amount, and the commercial sector constituted 34 percent ($987 million).

The accompanying tables reveal strong levels of activity in the single family, multifamily, and retail sectors, while the industrial and office building sectors recorded declines. For the first two quarters of 1986, a total of $2.12 billion in construction activity was recorded in Maricopa County, in contrast to $2.11 billion for the same period of 1985. Residential activity improved from 41 to 44 percent ($880 to $941 million) of total recorded activity for the first half of 1986, while the commercial sector declined from 39 to 35 percent ($824 to $740 million).

Pima County posted a 15 percent increase in construction permit value during the first half of 1986 over the first half of 1985 ($405 to $467 million). The improvement was evident in both the residential sector ($149 to $187 million) and in the commercial sector ($171 to $186 million). As in Maricopa County, these figures represent an increase in total recorded activity for the residential sector (36 to 40 percent) and a decline for the commercial sector (42 to 39 percent).

Based on total dollar value of issued permits, Table 4 shows the 12 leading reporting units, which accounted for 89 percent ($1.32 billion) of all Arizona construction activity during second quarter 1986.

SECTORAL ACTIVITY

Residential

The single family sector finally appeared to be responding to lower interest rates. With 7,565 permits issued during the second quarter, this sector had its best quarter in Maricopa County since second quarter 1979, when 8,227 permits were recorded. The year-to-date total of 13,612 permits reflected an 8 percent improvement over the 12,609 permits for the first half of 1985. In comparison with first quarter 1986, areas showing improvement included Chandler (663 to 819 permits), Gilbert (137 to 264 permits), Glendale (485 to 737 permits) and Peoria (423 to 758 permits).

Led by 1,172 permitted homes in the unincorporated area, Pima County had its best quarter (1,631 permits) since third quarter 1980 (1,726 permits). Single family activity gained 22 percent over the year-to-date totals for 1985 and 1986 (2,164 to 2,633 permits). The average single family permit value for the second quarter was $68,080, while it was $66,189 in Maricopa County.

Although the metropolitan counties experienced strong levels of single family activity, this sector declined in the other counties, from 1,924 permits for second quarter 1985 to 1,459 permits one year later; this total was slightly more than the 1,355 permits of the first quarter. Primary areas of single family development were unincorporated Coconino County (138 permits), unincorporated Navajo County (104 permits), Lake Havasu City (79 permits), Flagstaff (74 permits), and Prescott (74 permits).

While new home construction was improving, remodeling activity remained fairly stable, with a year-to-date total of 6,938 permits ($48 million), in contrast to 6,397 permits ($52 million) for the first half of 1985. In Maricopa County, the value of permits for first half 1985 remodeling activity was $27.9 million (3,415 permits), which remained virtually unchanged for 1986 (3,362 permits, valued at $27.1 million).

Commercial

For several years, the commercial sector, in large part, led the growth in construction activity. However, with 962 permits ($332 million) issued during the second quarter, this sector continued its decline of the last few quarters. During second quarter 1985, commercial activity comprised 913 permits ($432 million), with 956 permits ($409 million) issued during first quarter 1986.

The decline in dollar value, while the number of permits has remained

TABLE 1
KEY SECTOR CONSTRUCTION ACTIVITY
(Second Quarter 1986, First Quarter 1986, and Second Quarter 1985)

	SINGLE FAMILY		COMMERCIAL						INDUSTRIAL	
			APARTMENTS[a]		OFFICE BUILDINGS[b]		RETAIL STORES[c]			
Maricopa County	Number of Permits	Dollar Value	Number of Permits	Dollar Value	Number of Permits	Dollar Value	Number of Permits	Dollar Value	Number of Permits	Dollar Value
Second Quarter 1986	7,565	500,722,396	381	169,921,647	87	53,292,279	414	86,646,380	107	37,291,378
First Quarter 1986	6,057	399,130,852	335	135,721,459	87	81,706,773	257	69,653,584	77	50,455,191
Second Quarter 1985	6,332	424,502,020	370	153,852,226	128	167,890,636	258	80,417,322	133	35,206,401
Pima County										
Second Quarter 1986	1,631	111,039,849	57	48,568,040	25	8,699,410	36	12,452,378	8	3,835,996
First Quarter 1986	1,002	64,258,025	56	20,584,545	39	40,970,882	25	13,405,343	9	1,087,500
Second Quarter 1985	1,145	71,052,603	32	38,431,650	30	11,068,023	21	4,259,720	11	19,487,420
Rest of Arizona										
Second Quarter 1986	1,459	76,136,192	9	1,693,907	46	5,791,482	73	9,386,329	19	1,088,360
First Quarter 1986	1,355	68,746,450	54	17,673,242	35	2,370,188	91	6,634,873	26	2,503,567
Second Quarter 1985	1,924	84,479,812	62	26,817,026	46	3,648,513	94	6,717,111	47	18,490,020
Arizona Total										
Second Quarter 1986	10,655	687,898,437	443	220,183,594	158	67,783,171	523	108,485,087	134	42,015,734
First Quarter 1986	8,414	532,135,327	447	173,979,246	161	125,047,843	348	89,693,800	112	54,046,258
Second Quarter 1985	9,401	580,034,435	464	219,100,902	204	182,607,172	373	91,394,153	191	73,183,841

[a] Five or more housing units

[b] Office, bank, medical and professional buildings

[c] Shopping centers and other mercantile buildings

Source: Center for Business Research, College of Business, Arizona State University

fairly stable, is due to a smaller number of permits for large projects. For example, 87 office building permits ($53 million) were issued during second quarter 1986, for an average permit value of $612,555; the first quarter's 87 permits ($82 million) averaged $939,158 in value. This decline is even more appreciable from the second quarter 1985 total of 128 permits, worth $168 million (average permit value of $1.3 million). The greatest decline in commercial activity occurred in hotel/motel permits, which moved from a value of $95 million in the first quarter to the second quarter level of $5 million.

The multifamily sector arrested a several-quarter decline, with the authorization of 6,413 units ($170 million), a 7 percent increase over second quarter 1985's 5,955 units ($154 million). Despite the improvement, the year-to-date total of 11,321 permitted units is less than the 14,365 authorized units for the first half of 1985. More than 80 percent of the permitted units were in the cities of Phoenix (1,823 units), Glendale (1,792 units), and Mesa (1,582 units).

The retail sector continued to follow the expected path of expansion, with 414 permits ($87 million). While retail activity has improved, the average permit value has declined from the $311,695 reported for second quarter 1985 to $209,291 one year later. This drop is due mainly to the construction of smaller centers and the completion of existing centers.

Commercial activity in Pima County followed a similar pattern, decreasing from $109 million (137 permits) in the first quarter to $78 million (132 permits). The decline was most evident in the office building sector, which dropped from $41 million to $8.7 million. Further, the hotel/-motel sector declined from $28 million to $6.7 million. The multifamily sector, however, increased from $21 million (854 permitted units) to $49 million (1,732 authorized units), with 1,076 units permitted in Tucson. As presented in Table 1, retail activity remained fairly stable for the first two quarters of 1986.

Multifamily activity declined appreciably, from 1,015 authorized units in the first quarter to 80 permitted units, 58 of which were recorded in Prescott. Office building activity improved from $2.4 million (35 permits) to a second quarter total of $5.8 million (46 permits), with the average permit value increasing from $67,720 to $125,900. Retail activity increased from $6.6 million in the first quarter to $9.4 million, while the number of permits declined from 91 to 73. The average retail permit value rose from $72,910 to $128,580.

TABLE 2
ARIZONA HOUSING UNITS AUTHORIZED
Second Quarter 1986

	One Family	Mobile Homes	Duplex	3-4 Family	5 or More	Total
APACHE COUNTY	37	10	0	0	0	47
Percent Change, Previous Year	2	-23	–	–	0	-4
Percent Change, Previous Qtr.	208	25	–	–	0	134
COCHISE COUNTY	69	45	8	4	0	126
Percent Change, Previous Year	-25	-43	–	–	–	-32
Percent Change, Previous Qtr.	-51	-62	–	-83	–	-81
COCONINO COUNTY	218	125	6	0	16	365
Percent Change, Previous Year	0	-21	-50	–	-96	-53
Percent Change, Previous Qtr.	48	92	-50	–	-90	18
GILA COUNTY	81	66	2	3	0	151
Percent Change, Previous Year	-33	-13	-50	-25	–	-30
Percent Change, Previous Qtr.	55	19	–	–	0	41
GRAHAM COUNTY	19	56	0	0	0	75
Percent Change, Previous Year	5	64	0	0	0	44
Percent Change, Previous Qtr.	46	27	0	0	0	31
GREENLEE COUNTY	1	0	0	0	0	1
Percent Change, Previous Year	–	0	0	0	0	–
Percent Change, Previous Qtr.	0	0	0	0	0	0
LA PAZ COUNTY	0	0	0	0	0	0
Percent Change, Previous Year	–	–	–	–	–	–
Percent Change, Previous Qtr.	–	–	–	–	–	–
MARICOPA COUNTY	7,565	383	140	160	6,413	14,661
Percent Change, Previous Year	19	-18	-15	-52	7	10
Percent Change, Previous Qtr.	24	-19	55	-54	30	23
MOHAVE COUNTY	191	243	2	4	0	440
Percent Change, Previous Year	-49	-40	0	-96	–	-51
Percent Change, Previous Qtr.	-34	-31	0	-50	0	-28
NAVAJO COUNTY	139	30	0	0	0	169
Percent Change, Previous Year	-58	-62	–	–	–	-59
Percent Change, Previous Qtr.	104	15	–	–	–	79
PIMA COUNTY	1,631	518	18	17	1,732	3,916
Percent Change, Previous Year	42	-10	-73	-68	21	19
Percent Change, Previous Qtr.	62	0	-47	54	102	62
PINAL COUNTY	162	220	8	4	0	394
Percent Change, Previous Year	27	2	100	-79	–	-44
Percent Change, Previous Qtr.	30	-19	100	-59	–	-16
SANTA CRUZ COUNTY	17	4	16	0	0	37
Percent Change, Previous Year	-39	-81	–	–	–	-25
Percent Change, Previous Qtr.	-45	-90	–	–	–	-49
YAVAPAI COUNTY	432	186	28	29	64	741
Percent Change, Previous Year	6	-12	16	-32	-53	-10
Percent Change, Previous Qtr.	25	1	133	-29	-28	10
YUMA COUNTY	94	113	0	0	0	207
Percent Change, Previous Year	-28	-19	–	–	–	-55
Percent Change, Previous Qtr.	-23	-37	–	–	–	-66
TOTAL, ARIZONA	10,856	2,000	228	221	8,225	21,330
Percent Change, Previous Year	13	-20	-18	-64	-8	-2
Percent Change, Previous Qtr.	26	-21	44	-50	23	16

Note: A dash indicates that a percent change could not be calculated because at least one period had no activity.

Source: Center for Business Research, College of Business, Arizona State University

Industrial

In 1985, the industrial sector was driven by the construction of large, single-user projects. Since this source of activity appears to have stopped, industrial activity in Maricopa County has appreciably declined, from 284 permits ($126 million) in the first half of 1985 to 184 permits ($88 million) for the same period in 1986. Tempe led the second quarter totals with 57 permits, worth $21 million, followed by Phoenix with 24 permits ($5.8 million).

With 7 permits ($3.3 million) issued in unincorporated Pima County, industrial activity improved over the first quarter (9 permits at $1.1 million) but remained well below the $19.5 million (11 permits) recorded one year earlier. In the non-metropolitan counties, industrial development has been slow for the last few quarters. It continued to decline, from $2.5 million (26 permits) in the first quarter, to $1.1 million (19 permits), which is well below the $18.5 million (47 permits) recorded for second quarter 1985. During second quarter 1986, the largest permit was for $163,000 in unincorporated Navajo County, followed by one for $143,000 in unincorporated Santa Cruz County.

TABLE 3
ARIZONA BUILDING PERMITS
Second Quarter 1986

	Residential*		Commercial		Industrial		Other		Total	
	Number of Permits	Dollar Value	Number of Permits	Dollar Value	Number of Permits	Dollar Value	Number of Permits	Dollar Value	Number of Permits	Dollar Value
APACHE COUNTY	69	2,180,125	7	253,000	0	0	6	128,494	82	2,561,619
Percent Change, Previous Year	7	28	133	1,965	0	0	-14	501	10	48
Percent Change, Previous Qtr.	165	155	133	532	0	0	0	-89	134	21
COCHISE COUNTY	273	4,998,894	16	1,974,653	2	27,250	168	1,524,140	459	8,524,737
Percent Change, Previous Year	4	-16	-19	-78	100	-8	-57	-89	-32	-57
Percent Change, Previous Qtr.	-34	-49	-67	-78	-75	-96	-5	-30	-29	-61
COCONINO COUNTY	522	15,714,464	16	5,534,814	2	68,392	144	6,620,250	684	27,937,920
Percent Change, Previous Year	-9	-1	-56	-22	-71	-75	0	418	-10	13
Percent Change, Previous Qtr.	69	55	-35	99	-66	-80	45	537	56	95
GILA COUNTY	270	5,865,957	11	589,922	3	44,368	46	626,308	330	7,126,547
Percent Change, Previous Year	-14	-13	-35	-57	-62	-87	-20	-60	-17	-29
Percent Change, Previous Qtr.	59	55	37	-14	50	-3	53	195	57	51
GRAHAM COUNTY	122	2,035,831	5	153,400	0	0	16	36,645	143	2,225,876
Percent Change, Previous Year	9	48	-58	-6	0	0	-46	-64	-6	35
Percent Change, Previous Qtr.	41	39	0	841	0	0	-23	-96	27	-53
GREENLEE COUNTY	4	22,300	0	0	0	0	1	32,000	5	54,300
Percent Change, Previous Year	300	791	0	0	0	0	–	–	400	2,071
Percent Change, Previous Qtr.	100	345	0	0	0	0	–	–	150	985
LA PAZ COUNTY	12	28,620	1	43,000	0	0	3	11,300	16	82,920
Percent Change, Previous Year	-80	-96	-79	-70	–	–	-95	-98	-88	-95
Percent Change, Previous Qtr.	-96	-98	-66	56	–	–	-93	-95	-95	-96
MARICOPA COUNTY	9,864	521,123,209	982	331,849,029	107	37,291,378	3,059	176,715,627	18,992	1,066,979,243
Percent Change, Previous Year	10	16	5	-23	-19	5	0	5	5	-1
Percent Change, Previous Qtr.	14	23	0	-18	38	-26	8	5	11	1
MOHAVE COUNTY	962	14,036,869	26	2,904,811	4	284,154	430	1,856,952	1,422	19,082,786
Percent Change, Previous Year	-9	-19	-84	-72	-19	2	-31	-17	-23	-37
Percent Change, Previous Qtr.	-2	-20	0	103	33	-49	-10	-7	-5	-12
NAVAJO COUNTY	317	7,074,019	18	625,482	2	295,620	78	820,325	415	8,815,446
Percent Change, Previous Year	-44	-40	38	58	0	468	-24	-4	-40	-32
Percent Change, Previous Qtr.	79	93	157	94	-33	254	62	108	76	98
PIMA COUNTY	2,954	116,713,476	132	78,236,127	8	3,635,996	1,874	54,201,800	4,968	252,787,399
Percent Change, Previous Year	15	39	28	17	-27	-81	-3	61	7	24
Percent Change, Previous Qtr.	17	66	-3	-28	-11	234	17	54	16	17
PINAL COUNTY	499	10,690,341	16	2,234,297	0	0	304	3,092,228	819	16,016,866
Percent Change, Previous Year	8	34	-50	-73	–	–	25	91	9	-52
Percent Change, Previous Qtr.	-2	17	-19	-36	–	–	8	19	0	2
SANTA CRUZ COUNTY	37	1,576,880	2	380,600	1	143,000	12	316,287	52	2,416,767
Percent Change, Previous Year	-28	6	–	–	–	–	139	2,121	-8	61
Percent Change, Previous Qtr.	-55	9	100	–	–	–	300	297	-40	58
YAVAPAI COUNTY	882	31,527,006	46	5,031,087	3	152,000	437	2,865,659	1,368	39,575,752
Percent Change, Previous Year	8	11	-4	-47	-39	-76	53	19	18	-3
Percent Change, Previous Qtr.	24	42	-11	-8	–	–	100	23	40	31
YUMA COUNTY	316	9,063,362	20	5,102,896	2	73,584	159	2,386,390	497	16,626,232
Percent Change, Previous Year	-18	-14	-61	-9	-79	-94	14	43	-15	-13
Percent Change, Previous Qtr.	-23	-25	-41	-50	0	-63	-14	6	-21	-33
TOTAL, ARIZONA	17,103	742,651,153	1,278	434,913,118	134	42,015,734	11,737	251,234,405	30,252	1,470,814,410
Percent Change, Previous Year	5	15	-9	-21	-29	-42	-2	14	1	-1
Percent Change, Previous Qtr.	11	26	-3	-21	19	-22	10	13	10	4

*Includes mobile homes

Note: A dash indicates that a percent change could not be calculated because at least one period had no activity.

Source: Center for Business Research, College of Business, Arizona State University

Other

New educational facilities led this sector with 65 permits, valued at $57 million. During the first half of 1986, a total of 114 permits ($93 million) have been issued, in contrast to 68 permits ($65 million) in the first half of 1985. Areas of activity during the second quarter included unincorporated Coconino County (1 permit at $4.8 million), Chandler (13 permits at $10 million), Glendale (2 permits at $5.9 million), Mesa (5 permits at $14 million) and Tucson (6 permits at $4.7 million).

With 10 permits, valued at $20 million, for new health care facilities, this sector had a year-to-date total of $47 million, compared to only $25 million for the first half of 1985. Most of the second quarter activity occurred in three cities in Maricopa County: Mesa (1 permit at $9.8 million), Scottsdale (1 permit at $6 million), and Phoenix (3 permits at $4.9 million).

LOOKING AHEAD

Construction activity for the first half of 1986 was very similar to that for the same period of 1985. For several years, new project development has slowed during the last part of the year. For example, in 1985, first-half permits totaled $2.87 billion in value, but the second half total was $2.57 billion, while the corresponding totals for 1984 were $2.8 billion and $2.4 billion. If economic conditions continue to support growth, 1986 activity should end at a level comparable to that of 1985 ($5.5 billion for the state and $4 billion for Maricopa County).

The fundamental difference between this year and previous years in this growth cycle is the absence of large-scale office building and industrial projects. This condition could be the primary force leading to lower construction activity for the remainder of the year. Growth in the multifamily sector was somewhat unexpected, and this sector should decline over the rest of the year due to uncertain market potential. Signs of weakness in the retail sector are increasing, which could lead to somewhat lower levels of activity.

TABLE 4
REPORTING UNITS WITH GREATEST TOTAL VALUE OF BUILDING PERMITS
Second Quarter 1986

Reporting Unit	Value (in millions)
Phoenix	$298.9
Mesa	185.4
Unincorporated Pima County	138.6
Scottsdale	134.6
Glendale	113.0
Tucson	111.3
Unincorporated Maricopa County	97.1
Chandler	81.3
Tempe	80.1
Peoria	31.9
Gilbert	28.6
Unincorporated Yavapai County	24.3

Source: Center for Business Research, College of Business, Arizona State University.

The main force in maintaining the current level of construction activity is the single family sector. While construction activity has increased, sales activity has yet to demonstrate a corresponding level of improvement. Hence, if the current construction pattern is to be maintained, new home buying will have to become much stronger over the next few months. Because interest rates have continued to decline and housing prices have remained fairly stable, the affordability problem has diminished. Thus, the main question becomes whether the consumer has the economic confidence and personal desire to buy a new home. If the answer is yes, the single family market will continue to grow, and the construction industry will remain strong. If the answer is no, the single family sector will decline and, along with it, total construction activity – until another sector can provide the needed stimulation.

– Jay Q. Butler

Dr. Butler is Associate Professor of Real Estate and Director of the Arizona Real Estate Center in the ASU College of Business.

Housing Affordability Reaches Highest Level of '80s

Growth of the affordability indexes for new and resale homes slowed during second quarter 1986, compared to the large jumps experienced during the first quarter (see Table 1). Still, both indexes reached their highest levels since the Metropolitan Phoenix Housing Affordability Indexes began in 1981. The index for resale homes rose to 105, while the index for new homes climbed to 92.

An index at or above 100 indicates that a median-income household is able to qualify, with a 15 percent downpayment, for a median-priced home that has a fixed-rate, conventional, 30-year mortgage. During second quarter 1986, a median-income household could afford an $81,175 home – more than the median-priced resale home, $77,150, but less than the median-priced new home, $87,950.

NEW HOMES

During the second quarter, the median sales price of a new home fell for the first time since fourth quarter 1984, to $87,950. Mortgage interest rates also declined, causing the monthly mortgage payment on a median-priced new home to fall for the fourth consecutive quarter, from $840 to $820.

The index for new homes since 1982 has stayed below the index for resale homes because new homes are typically more expensive than resale homes and, therefore, less affordable. In first quarter 1983, at the beginning of the economic recovery, only $950 separated the median prices of new and resale homes. In second quarter 1986, new homes were priced $10,800 higher than resale homes.

RESALE HOMES

The affordability index for resale homes also experienced slow growth during second quarter 1986, rising only one percentage point from the previous quarter, after jumping 10 percentage points during first quarter 1986.

The monthly mortgage payment on a median-priced resale home rose to $720 from $710. The decline in the effective mortgage interest rate from 11.0 to 10.7 percent did not offset the 2.9 percent increase in the median sales price of a resale home. However, household incomes rose enough to absorb the increase in mortgage costs.

OUTLOOK

Interest rates have a large impact on the affordability indexes. If interest rates continue to fall as expected, they may offset continued moderate increases in the median sales prices of new and resale homes, allowing further index gains.

– Jacqueline Fifield
Research Analyst

TABLE 1
HOUSING AFFORDABILITY INDEXES
Metropolitan Phoenix

Quarter	Median Sales Price	Interest Rate	Monthly Housing Payment	Median Gross Monthly Income	Affordability Index
Resale					
2nd 1985	72,500	13.4	820	2,560	87
3rd 1985	75,000	12.6	800	2,580	90
4th 1985	74,650	12.3	790	2,620	94
1st 1986	75,000	11.0	710	2,660	104
2nd 1986	77,150	10.7	720	2,690	105
New					
2nd 1985	81,150	13.4	920	2,560	78
3rd 1985	83,575	12.6	900	2,590	81
4th 1985	86,875	12.3	910	2,620	80
1st 1986	88,197	11.0	840	2,660	89
2nd 1986	87,950	10.7	820	2,690	92

Source: Center for Business Research and the Arizona Real Estate Center, College of Business, Arizona State University. Interest rates are from the Federal Home Loan Bank Board *News*, and income figures are derived from the Annual Buying Survey in *Sales and Marketing Management*.

Home Price Explosion Limited to a Few Big Cities

Housing prices in New York and Boston have more than doubled during the current economic expansion, making homes there among the most expensive in the nation. Housing prices in the Phoenix area continue to match the national price level, with gains since late 1982 close to the national average.

Figures I and II chart the behavior of housing prices for eight cities and the nation as a whole from first quarter 1981 to first quarter 1986 – a period marked by recession and subsequent recovery. Data points in the figures represent the median sales prices of existing single family homes, as reported by the National Association of Realtors. For the nation as a whole, prices ranged from a low of $64,300 in first quarter 1981 to a high of $78,100 in first quarter 1986. The comparable numbers for Phoenix area homes were $62,800 and $75,000, respectively.

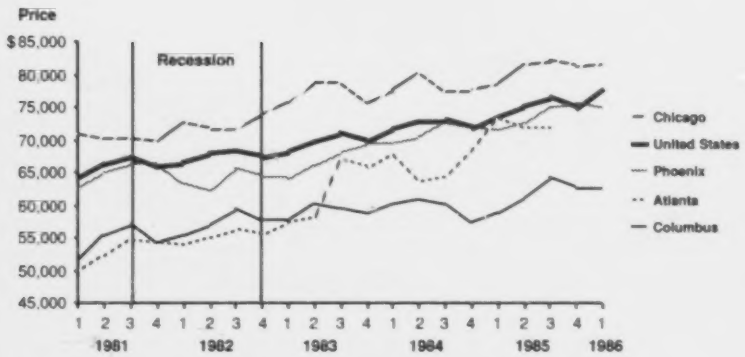
During the expansion after the 1981-82 recession, most metropolitan areas, including Phoenix, sustained 15 to 20 percent inflation in the median price of existing single family homes. Outstanding exceptions, in addition to New York and Boston, include Atlanta's 45 percent jump and Dallas's 43 percent advance. At 12 percent, San Diego registered the lowest rate of increase.

While prices in all cities responded to the downside of the business cycle, some cities showed much greater sensitivity to the 1981-82 recession. The figures indicate that during the business cycle downturn from July 1981 to November 1982, housing prices either paused in their ascent or were slightly depressed in San Diego, New York, Atlanta, Chicago and Washington, D.C. In contrast, housing prices in Columbus, Dallas and Phoenix experienced moderate depression, though some of the drop resulted from a decrease in size of the typical home sold. In Phoenix, median home prices plummeted 6 percent, dropping from a high of $66,400 to $62,300. The recession price represented only 91 percent of the U.S. median housing price.

The figures also indicate that during recessions, housing prices are a leading indicator of future business expansion. For example, the upturn in housing prices nationwide during the 1981-82 recession took place three to six months in advance of the economy's recovery in November 1982. This lead relationship is caused by the stimulative effect that lower interest rates have on housing prices during a recession.

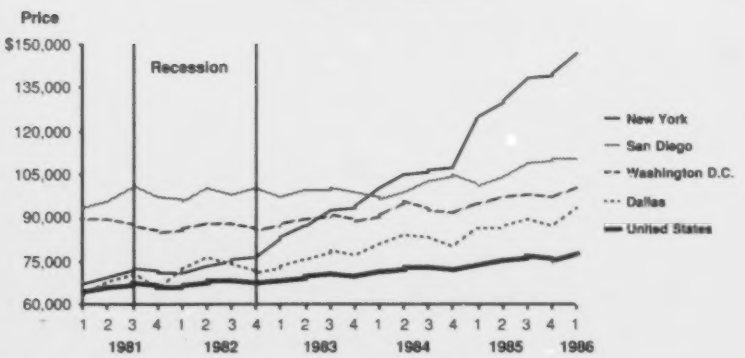
– Jim Huyghebaert
Senior Economist
Economic Outlook Center

FIGURE I
MEDIAN HOUSING PRICES
Comparison by Area



Source: Economic Outlook Center, College of Business, Arizona State University

FIGURE II
MEDIAN HOUSING PRICES
Comparison by Area



Source: Economic Outlook Center, College of Business, Arizona State University

Home Prices in Phoenix and Tucson Near National Average

Home prices in the Phoenix and Tucson metropolitan areas are near national averages, according to a review of several home price studies. The typical price per square foot in Phoenix and Tucson is $50 – a total price of $75,000 for a 1,500-square-foot home, for example – though prices vary by neighborhood. New home prices are slightly higher.

TABLE 1
TYPICAL PRICE OF A 1,500-SQUARE-FOOT HOME*

San Francisco	$150,000+	New Orleans	$75,000
Honolulu	150,000	St. Louis	75,000
San Jose	135,000	Portland	75,000
New York City	135,000	Salt Lake City	75,000
Boston	135,000	Las Vegas	75,000
Orange County, CA	130,000	Albuquerque	75,000
Los Angeles	130,000	Pittsburgh	70,000
San Diego	115,000	Houston	70,000
Washington, D.C.	100,000	Indianapolis	70,000
Dallas	90,000	Tampa	70,000
Denver	90,000	Detroit	70,000
Philadelphia	85,000	Cleveland	70,000
Chicago	85,000	Colorado Springs	70,000
Seattle	85,000	Columbus	65,000
Phoenix	75,000	El Paso	65,000
Tucson	75,000	Buffalo	60,000
Miami	75,000	Louisville	60,000
Atlanta	75,000	Kansas City	60,000
Baltimore	75,000		

*Value shown is a composite derived from information from the following sources: National Association of Realtors, Better Homes and Gardens Real Estate Services, Coldwell Banker, American Chamber of Commerce Researchers Association, Century 21 Real Estate Corp.

Source: Center for Business Research, College of Business, Arizona State University

PRICE COMPARISONS

The most expensive housing is located near the two coasts. The price of a 1,500-square-foot home exceeds $130,000 in Boston and in the San Francisco Bay, Los Angeles-Orange County, and New York City areas. The lowest home prices within large metropolitan areas are found in the Mideast and Midwest, including prices of $60,000 in Louisville, Kansas City and Buffalo (Table I).

Realtor Surveys

Home price information generally is derived from one of two sources: a sample of sales or an estimate made by realtors and brokers. Since realtor surveys include various assumptions regarding the size of house, comparisons are best made using price per square foot.

A study by Coldwell Banker, for example, produced a Phoenix home price of $98,000, while a study by Better Homes and Gardens yielded a price of $80,000. The difference in size of home assumed by each study – 2,000 square feet in the former and 1,600 square feet in the latter – accounted for nearly all of the variation in price.

Two other studies also placed the price per square foot in the Phoenix area within the range of $49 to $53 for resale homes, up to $56 for new homes. A survey by the American Chamber of Commerce Researchers Association priced an 1,800-square-foot home, while Century 21 Real Estate Corp. used a 1,400-to-1,600-square-foot residence.

For most metropolitan areas, square-foot prices coincide reasonably well from study to study. Wide discrepancies sometimes occur, however – for example, square-foot price estimates range from $51 to $85 in Hartford. Thus, the consensus value of several studies probably is most accurate.

Samples of Homes Sold

The Center's own data, based on all existing home sales recorded in Maricopa County, verified the estimates from realtor surveys. Moderately sized homes (between 1,300 and 2,100 square feet) that sold during the first five months of 1986 had a median price per square foot between $49 and $50. The median price per square foot is higher for both larger and smaller homes.

Another source for the median price of existing single family homes is the National Association of Realtors (NAR). Their first quarter value, $76,200, was slightly higher than that published by the Center, $75,000. (Price per square foot is not available from the NAR). The NAR value is slightly higher because of their reliance on Board of Realtors data; less expensive homes more frequently are sold without the service of a realtor.

The Federal Home Loan Bank Board (FHLBB) provides an average – not median – price measure for Phoenix from a sample of homes purchased with conventional mortgage financing. Because a few very expensive homes can greatly raise the average price and because homes purchased with conventional loans are more expensive than other homes, the average price reported for Phoenix by the FHLBB is nearly double the median price reported by the Center.

– Tom R. Rex
Research Manager

Second Quarter Home Sales

Record High Belies Seasonally-Adjusted Decline

Metropolitan Phoenix home sales during the second quarter reached a record 15,506, a 20 percent increase from the previous quarter (see Table 1). Mortgage interest rates fell too late in first quarter 1986 to impact home sales for that quarter, but they led the surge in second quarter home sales and are likely to affect third quarter sales as well.

The number of home sales typically climbs every spring, making it necessary to seasonally adjust the data. That adjustment reverses the second quarter jump to a 2.3 percent decline. Seasonally- adjusted home sales, which peaked during fourth quarter 1985 in reaction to the first major drop in interest rates during May and June, decreased slightly in the first two quarters of 1986.

People respond to a decline in interest rates by buying homes two to three months later. The second quarter 1986 seasonally adjusted decline would have been even greater had interest rates not also dropped in late 1985 and early 1986.

Sales of all types of housing – new and resale, single family and townhouse/condominium – advanced strongly during the second quarter. Townhouse/condominium sales rose for the third straight quarter, to 2,597, surpassing the previous record level of second quarter 1984.

MEDIAN SALES PRICE AND APPRECIATION RATE

The median sales price of all homes increased 3.5 percent from the previous quarter, to $77,600 during second quarter 1986, placing the median price 6.8 percent higher than it was one year earlier. The median sales price of resale townhouses and condominiums dropped 5.5 percent from second quarter 1984 to third quarter 1985, and only in second quarter 1986 did it reach its previous record level of $65,000.

Unlike home sales, home prices have not rapidly increased, primarily due to seasonality. During second quarter 1986, only a 0.6 percent difference existed between unadjusted and seasonally adjusted median prices. Rather, the increase is partially due to the purchase of larger homes. The median price per square foot rose a more modest 1.2 percent during the second quarter, while the increase from one year earlier was only 3.3 percent.

However, even after adjusting for size, the price gains of the last two quarters have been more rapid than those experienced through much of 1984 and 1985. Lower interest rates have stimulated demand, allowing sellers to receive higher prices (see Figure I).

Second quarter appreciation for single family homes, 0.7 percent, was in the 0.7 to 0.8 percent range for the 13th consecutive quarter.

OUTLOOK

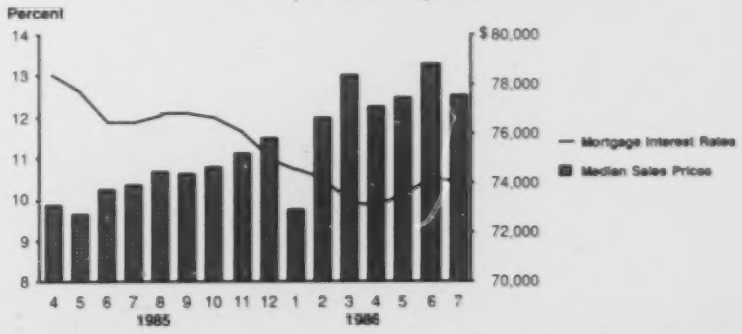
This spring's drop in interest rates should affect recorded home sales at least through July, keeping the seasonally adjusted number of home sales for third quarter 1986 near the current level. Price gains should also remain at a relatively high rate. If further interest rate declines materialize as expected, both the number of home sales and increases in the median price during the rest of 1986 could remain at, or exceed, current levels.

– Jacqueline Fifield
Research Analyst

Seasonal Adjustment

The number of homes sold and the median price rise or fall at the same time every year. Seasonally adjusting the data removes this predictability, and any changes in the data can be accurately interpreted.

FIGURE I
MORTGAGE INTEREST RATES AND SEASONALLY-ADJUSTED MEDIAN SALES PRICES OF ALL HOMES
April 1985 - July 1986



Source: Center for Business Research, College of Business, Arizona State University

TABLE 1
METROPOLITAN PHOENIX HOME SALES

	Single Family			Townhouse/Condominium			Grand
Second Quarter 1986	*Resale*	*New*	*Total*	*Resale*	*New*	*Total*	**Total**
Median sales price	$77,150	$87,950	$80,000	$65,000	$69,550	$66,400	$77,600
Percent change from:							
First quarter 1985	2.9	-0.3	2.6	3.2	0.1	2.2	3.5
Second quarter 1985 ...	6.4	8.4	6.7	3.2	8.8	4.6	6.8
Number of sales	10,991	1,918	12,909	1,952	645	2,597	15,506
Percent change from:							
First quarter 1985	15.8	51.3	20.0	18.1	19.4	18.4	19.7
Second quarter 1985 ...	10.1	-24.6	3.1	38.4	-29.3	11.8	4.4

Source: Center for Business Research, College of Business, Arizona State University; from data supplied by Marketron Services, Inc., Phoenix.